

## *Responding to relative decline: the creation of the National Economic Development Council<sup>1</sup>*

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Recent work on Britain's economic performance has begun to adjust our understanding of the country's relative economic decline. While relative decline was apparent throughout the century after 1870, it has been argued, 'decline appears to have been at its most rapid in the years from the 1950s to the 1970s', the so-called 'golden age' of capitalism, just when British performance, measured in historic terms, was relatively good.<sup>2</sup> Broadberry's most recent work has confirmed this view. The productivity of British labour in manufacturing, he has argued, was better than often thought, and poor productivity was largely confined to the period 1950–79.<sup>3</sup> This poor performance could in part be explained by historical legacies but its essential causes lay in factors particular to the period after 1945.<sup>4</sup>

In seeking to explain relative decline after 1945 it has been common since the 1960s to highlight defects in Britain's institutions. This aspect has received renewed attention from economic historians with the rising popularity of 'new institutional' approaches across the social sciences.<sup>5</sup> Thus the work of Broadberry and Crafts and other recent studies, for example by Middleton, have highlighted the importance of institutional arrangements in explaining Britain's relatively poor economic performance since 1945.<sup>6</sup> Building on work by Middlemas, Flanagan and his co-authors, and Smith, they have placed particular stress on the detrimental effect of Britain's postwar settlement.<sup>7</sup> It is suggested, above all, that Britain adopted a particularly non-interventionist variant of Keynesian demand management which left labour and capital relatively autonomous.

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<sup>2</sup> Crafts, *Britain's relative economic decline*, p. 25. See also Bean and Crafts, 'British economic growth'.

<sup>3</sup> Broadberry, *Productivity race*, p. 15.

<sup>4</sup> With regard to a legacy see Broadberry and Crafts, 'Britain's productivity gap'; Broadberry and Crafts, 'British economic policy'.

<sup>5</sup> In the field of economic history, most notably North, *Institutions*. Within political science see Hall and Taylor, 'Political science'; Lowndes, 'Varieties'; Kato, 'Review article'; Thelen and Steinmo, 'Historical institutionalism'; Farr et al., eds., *Political science*.

<sup>6</sup> Middleton, *Government*, chs. 10–12. See also Melling, 'Management'.

<sup>7</sup> Middlemas, *Power*; Flanagan et al., *Unionism*; Smith, *Attlee and Churchill administrations*.

This was ill-suited to the enhancement of growth performance in line with that achieved elsewhere in Europe.<sup>8</sup>

Where these latest studies disagree fundamentally, however, is over the policy required to adjust Britain's institutional arrangements so that they might foster growth. The assumption underlying one school of thought is that the answer lay in more corporatist arrangements, while the other school sees corporatism as a main cause of Britain's underlying problems. For instance, Tomlinson, Melling, and Middleton highlight the lack of clear interventionist criteria. Middleton's ideal institutional arrangement follows that pinpointed by Eichengreen as crucial in explaining differential economic performance across Europe.<sup>9</sup> Eichengreen argues that welfare is maximized when domestic institutions are created which lead labour and capital to agree to defer current compensation for future gains. The institutional arrangements, incorporating government, tie in capital and labour to maintain this cooperative equilibrium. Thus labour accepts wage moderation and, in return, capital invests profits, rather than distributing them, which, in turn leads to wage increases.<sup>10</sup>

In contrast, given the particular nature of Britain's interest groups, Broadberry and Crafts are critical of such corporatist policies.<sup>11</sup> In their eyes, the faults with the postwar settlement lie in its cosy cushioning of labour and capital which sustained a low-effort equilibrium. The postwar settlement did lead to wage moderation in the short term but its maintenance required cooperative strategies from government to organized labour which prevented the removal of obstacles in the form of restrictive practices to improved productivity growth. Similarly, companies were sheltered by protection and a lack of competition. The need, in their eyes, was for a more rigorous competition policy and reform of industrial relations.<sup>12</sup>

This article attempts to develop this key debate in two ways. First, the focus of debate has, to date, been on the immediate postwar years of the Attlee governments. Here a different chronological focus has been adopted with the examination of the creation of the National Economic Development Council (NEDC). This was a tripartite body consisting of ministers, representatives of peak-level employers' organizations, and representatives of the Trades Union Congress (TUC), which first met in March 1962 and continued to do so regularly until it was wound up in the 1990s.<sup>13</sup> Working for it was the National Economic Development

<sup>8</sup> Middleton, *Government*, p. 493; Tomlinson, 'Inventing "decline"', p. 748; Theakston, 'Whitehall', pp. 87-8; Hall, *Governing*, pp. 85-7; Marquand, *Unprincipled society*, pp. 45-6, 212-13. For the establishment of a variant of Keynesianism in the US similar to that in the UK, see Weir, *Politics*.

<sup>9</sup> Middleton, *Government*, pp. 452-3; Eichengreen, 'Institutions'. See also Streeck, *Social institutions*.

<sup>10</sup> For consideration of this model see Booth et al., 'Institutions', p. 419; Temin, 'Golden age', pp. 138-40. See also Toniolo, 'Europe's golden age'.

<sup>11</sup> Broadberry, *Productivity race*, p. 130.

<sup>12</sup> Broadberry and Crafts, 'British economic policy', p. 65; Crafts, 'Institutions'. See also Crafts, 'Economic growth'.

<sup>13</sup> For administrative details see Middlemas, *Industry*; Bailey, 'Neddy'; Shonfield, *Modern capitalism*, pp. 151-64. For accounts of its development see Barberis and May, *Government*, pp. 128-34; Grant, *Business and politics*, pp. 50-2.

Office (NEDO) which was set up outside the ordinary government machine.

The creation of the NEDC has been seen to mark a stage in the development of the postwar settlement where the institutional arrangements between the government, labour, and capital were adjusted in recognition of Britain's relatively poor postwar performance.<sup>14</sup> To Broadberry and Crafts the NEDC presumably represents a further attempt to maintain the existing bargaining environment. Certainly, others have seen it in this way. One contemporary critic, for example, complained, 'Rather than recognise that a higher rate of growth represents a serious challenge to deeply held values and customs [they] prefer the easy way out apparently offered by NEDC.'<sup>15</sup> In contrast, for Middleton, here was the opportunity to put government-industry relations on to a more constructive basis.<sup>16</sup> This reflects a view that the NEDC offered the opportunity to establish a corporatist state in Britain.<sup>17</sup>

The article will not enter the debate about whether or not the NEDC was a corporatist body, but instead will use the council's establishment to re-create the respective positions of the representatives of capital, of labour, and of the government.<sup>18</sup> Its history helps to identify what each of these groups had learned from the experience of the postwar years; what their perceptions were of the problems facing the British economy; and, from this, their views on the degree and nature of reform required to instigate a policy for growth.<sup>19</sup> The views expressed by each group were by no means consensual and, moreover, the compromise views reached by each did not fully reflect the full range of opinion held by their constituent parts. Indeed, it is necessary to split the consideration of government opinion between those of ministers and of the Treasury—in part to distinguish between political and administrative aspects but also because, on a practical level, it was impossible to isolate one single 'government' position. The broad conclusion is that while each group saw some value in creating the NEDC, each had markedly different goals which reflected widely different perceptions of the causes of, and remedies for, Britain's relatively poor performance.

Secondly, a feature of the current debate over Britain's postwar relative decline has been to place much, if not all, blame on government, for allowing Britain to have inappropriate institutional arrangements and, even more, for failing to correct this problem.<sup>20</sup> This is part of a wider tendency within economic history where notions of 'governmental failure'

<sup>14</sup> Tomlinson, 'Inventing "decline"', pp. 747-8; Boswell and Peters, *Capitalism*, pp. 20-1.

<sup>15</sup> Brunner, 'Debate', p. 817. See Dorfman, *Wage politics*, p. 98; Jeffreys, *Retreat*, p. 127; Smith, *Politics*, p. 159.

<sup>16</sup> Middleton, *Government*, p. 590.

<sup>17</sup> Blank, *Industry*, p. 148. See also Martin, *TUC*, p. 298.

<sup>18</sup> See Cox, 'Corporatism'; *idem*, 'Failure'; Middlemas, *Power*.

<sup>19</sup> This approach owes much to the concept of social learning. See Heclo, *Modern social politics*; Hall, 'Policy paradigms'.

<sup>20</sup> Broadberry and Crafts, 'British economic policy', p. 72; Tomlinson, 'British economic policy', p. 283; Middleton, *Government*, p. 552; Melling, 'Management', p. 18; Booth et al., 'Institutions', p. 436.

are common. This reflects an understandable tendency among economic historians to follow a traditional, if often implicit, model of the British state and to regard government as a unitary and powerful institution. Power is seen to rest with those at the apex of government, or with the 'core executive', that is ministers and below them the central co-ordinating departments, such as the Treasury in the case of economic policy.<sup>21</sup> One consequence of this image is high expectations about the government's ability to transform the economy. For example, Kirby supports Pollard's contention that 'if industry is hamstrung by institutional constraints only the government can be expected to alter the institutional framework'.<sup>22</sup> This often leads to stinging criticism of government, as Kirby again illustrates:

The last 100 years provide ample evidence of the timidity and vacillations of successive governments in responding to the need for new institutional arrangements conducive to economic progress. . . . Timely and beneficial institutional reforms could, and should, have been implemented. . . . All too often the state has succumbed to the pressure of special interest groups with a marked preference for the status quo.<sup>23</sup>

Such criticism is easy to make but it adds little to our understanding of why government policy developed in the way it did.<sup>24</sup> This is not necessarily to exonerate government, which clearly is and has been a crucial force in forming institutional arrangements and in changing them.<sup>25</sup> As Crafts has put it, 'Recognising that institutions matter reminds us that changing them usually involves governments, and emphasises the need to think about economic growth in the context of political economy.'<sup>26</sup> Economic historians have tended to focus on the first half of that sentence and have often taken government involvement to mean government responsibility and capacity to change institutions. More attention needs to be paid to the context of political economy. The point is that a more sophisticated approach to political institutions is required, given their increasing prominence in the accounts of economic historians.

Recent developments in the study of political institutions are relevant here since they offer a different organizing perspective for analysing British government.<sup>27</sup> These models have been developed to explain contemporary British government but offer useful insights more generally.<sup>28</sup> British government is portrayed as fragmented, disaggregated, and based on interdependencies. As Smith puts it, 'it is not possible to take a one-dimensional view of the state' since it is a highly complex organiza-

<sup>21</sup> See Rhodes and Dunleavy, eds., *Prime minister*; Smith, *Core executive*.

<sup>22</sup> Kirby, 'Institutional rigidities', p. 654.

<sup>23</sup> *Ibid.*, p. 656. See also Elbaum and Lazonick, 'Institutional perspective'.

<sup>24</sup> Bean and Crafts, 'British economic growth', p. 162, and Crafts, 'Economic growth', p. 290, acknowledge the need for greater research into 'governmental failure'.

<sup>25</sup> Broadberry and Crafts, 'British economic policy', p. 72.

<sup>26</sup> Crafts, 'Golden age', p. 445.

<sup>27</sup> Wilks and Wright, eds., *Comparative relations*; Rhodes and Dunleavy, eds., *Prime minister*; Rhodes, *Understanding*; Marsh and Rhodes, eds., *Policy networks*; Marsh, ed., *Comparing*; Smith, *Pressure*; *idem*, *Core executive*.

<sup>28</sup> Smith, *Core executive*, p. 10; Lowe and Rollings, 'Modernising Britain'.

tion.<sup>29</sup> Two important considerations emerge from this. First, the core executive 'is characterised as much by fragmentation and interdependence as by strength'.<sup>30</sup> In other words, those at the centre of government cannot dictate policy but are dependent on others, both in government and beyond, to achieve their goals. Secondly, the nature of these dependencies or policy networks not only affects the policy outcome but also is unique in each particular case. As a result, policy stances of states cannot be characterized 'in terms of a single institutional principle such as corporatism, or in terms of a national or industrial culture. Instead the state itself and its relationships with the economy have been disaggregated'.<sup>31</sup> Some political scientists would wish to re-aggregate to the macro level but even they accept the need for micro- and meso-level studies before this can be meaningful.<sup>32</sup> In other words, attempts to characterize the nature of British government and its relations with society are likely to be overly simplified and unrepresentative. Through a case study of the creation of the NEDC, this article attempts not only to illustrate how such an approach adds to our understanding of the policy process but also to outline its implications for economic historians, so that they move beyond sterile assertions of what government should have done to more nuanced explanations of what government could have done.

## I

After 1945 central government in Britain was faced with fresh challenges. There were new responsibilities in both economic and social policy, most notably the all-party commitment in 1944 to the maintenance of a 'high and stable level' of employment. The complexity of policy coordination also undoubtedly increased with the growth in government.<sup>33</sup> These challenges implied the need to modernize government, but faith in the existing system among Labour ministers and civil servants precluded radical change.<sup>34</sup> This tension remained latent in the context of full employment and an age of affluence. The emergence of growth as a policy issue in the 1950s increased this tension further.<sup>35</sup> By the late 1950s these various pressures were coming to a head: there was increasing awareness of the problem of creeping inflation and of the 'stop-go' nature of the economy. However, the most significant change was the growing realization that in terms of growth in living standards Britain was lagging behind its European competitors. Awareness of this followed from the production of more reliable comparative statistical data covering national income, industrial production, and productivity.<sup>36</sup>

<sup>29</sup> Smith, *Pressure*, p. 233.

<sup>30</sup> Rhodes, *Understanding*, p. 13. See also Jordan and Richardson, *British politics*, p. 124; James, 'Cabinet system', p. 117.

<sup>31</sup> Gamble, 'New political economy', p. 525.

<sup>32</sup> Atkinson and Coleman, 'Policy networks'.

<sup>33</sup> Lowe and Rollings, 'Modernising Britain'.

<sup>34</sup> Tomlinson, *Democratic socialism*, pp. 298-300.

<sup>35</sup> *Idem*, 'Inventing "decline"', pp. 733-4.

<sup>36</sup> *Ibid.*; PEP, *Growth*.

In the post-Suez atmosphere of introspection, uncertainty, and failure there was an explicit questioning, if not an outright condemnation, of the past, a 'revolt against orthodoxy'.<sup>37</sup> The specific target of criticism varied but many pointed the finger at the establishment and, in particular, the state.<sup>38</sup> Others focused more specifically on Keynesian demand management: its short-term static approach was believed to be responsible for the infamous stop-go cycle.<sup>39</sup> When the critics joined forces the real culprit was often seen to be the Treasury. Balogh's assault on this 'ignorantly dilettante bureaucracy' may have been the most vitriolic and famous but it reflected wider contemporary criticisms of the Treasury's short termism and power in Whitehall.<sup>40</sup>

It is often argued that the ensuing 'great re-appraisal', as Brittan has termed the Macmillan government's attempt to modernize the institutions of economic policy making, and, in particular, the creation of the NEDC, formed a response by government to the force of this outside opinion.<sup>41</sup> That the initiative came from outside government is seen to be significant.<sup>42</sup> Moreover, the model for reform came from outside Britain, whose problems were contrasted with the success of France in turning its economy from 'the sick man of Europe' into one growing fast and with a high level of investment.<sup>43</sup> Admiring glances and trips across the Channel only increased the belief that Britain had something to learn from France even if it was not felt appropriate to replicate the model in its entirety in Britain.<sup>44</sup>

The key force in turning these concerns into government policy is widely believed to have been the Federation of British Industries (FBI).<sup>45</sup> It was certainly concerned about the need to improve growth performance: 'emergency measures of a stop-gap character' to deal with balance of payments crises were believed to be discouraging investment and hindering growth.<sup>46</sup> From February 1960 the subject of growth had been investigated by the Economic Study Group of the FBI, chaired by Hugh Weeks who at around the same time also established a dining club of

<sup>37</sup> Longstreth, 'City', p. 178.

<sup>38</sup> Gamble, *Britain in decline*, p. 119; Theakston, *Civil service*, p. 84.

<sup>39</sup> Smith, 'Britain', pp. 54-5; Hackett and Hackett, *British economy*, p. 103. See also Scharpf, *Crisis*, pp. 70-1; Currie, *Industrial politics*, p. 206.

<sup>40</sup> Balogh, 'Apotheosis', quoted in Theakston, *Civil service*, p. 85. See also Brittan, *Treasury*, p. 221; MacDougall, *Don*, p. 144.

<sup>41</sup> Brittan, *Treasury*, p. 204. Contemporary examples include Dow, 'Problems', p. 14; Polanyi, *Planning*, p. 13; Denton et al., *Economic planning*, p. 109. More recent ones include Gamble, *Britain in decline*, p. 119; Newton and Porter, *Modernization*, pp. 138-40.

<sup>42</sup> Hall, *Governing*, p. 86.

<sup>43</sup> Dow, 'Problems', pp. 17-19; PEP, 'Economic planning'.

<sup>44</sup> PEP, 'Economic planning'; Phelps Brown, 'National Economic Development Organisation', pp. 242-3; MacDougall, *Don*, p. 137; Leruez, *Economic planning*, pp. 86-9. See also PRO, CAB134/1817, EPB(61)22, 'Planning: the lessons of French experience', by Otto Clarke, 2 Nov. 1961.

<sup>45</sup> Harris, *Competition*, pp. 240, 242; Blank, *Industry*, p. 5; Brittan, *Treasury*, pp. 216-18; Hall, *Governing*, p. 86. How direct that influence was has been disputed: at its most direct see Christoph, 'Birth of Neddy', p. 77. More cautious is the account in Grant and Marsh, *CBI*, p. 24.

<sup>46</sup> Modern Records Centre, Univ. of Warwick (hereafter MRC), MSS 200/F/3/E3/3/21, E.191.1.61, 'Draft report on proposals for long-term economic planning', no date.



industrialists and economists to discuss growth.<sup>47</sup> By the summer of that year it had been agreed that 'economic growth in Britain' should be discussed at a conference in November.<sup>48</sup> That conference heralded the 'Brighton revolution' which saw the emergence of growth as a policy issue.<sup>49</sup> Following the conference the FBI set up a new committee under Sir Hugh Beaver. It was assigned the task of studying the possibilities of government and industry agreeing 'on an assessment of expectations and intentions to be placed before the country as a framework for economic effort during the next five years. If, for example, the national aim was to achieve an annual growth of 3% . . . the necessary implications and consequences could be assessed and the practical choices facing industry and government determined'.<sup>50</sup>

The participation of the TUC was not envisaged at this stage and the matter remained undecided when the Beaver committee drew up a draft summary of a 'Policy for growth' in June 1961. If there was to be any involvement of labour it would be with regard to restrictive practices and cooperation in a new 'programming organization' rather than to consider a wages policy.<sup>51</sup> The main objective was to steady investment programmes in the UK and to counterbalance the effects of balance of payments crises. The chief target of attention was the government, which was expected to 'create a climate for growth' and to provide 'an environment in which industry could plan'.<sup>52</sup> It is significant that the committee did not take a radical view about the priority to be given to growth: this was not to take precedence over other policy objectives and the defence of sterling during a balance of payments crisis would remain more important.<sup>53</sup> Generally, however, economic policy should seek to establish stability in the economy and not be geared to 'simply meeting the needs of the moment'. A strong currency and stability of economic development were seen as complementing each other and leading to sustained growth in the long run.<sup>54</sup>

The organizational structure of the proposed planning process remained vague. Beaver's committee proposed an independent 'bureau' consisting of a chairman and a part-time board representing government, industry, the trade unions, and academics.<sup>55</sup> Its effectiveness would rest on discussion with the parties concerned, on the advice it would provide, and on the use of publicity. No specific powers were assigned to the bureau, which was simply charged with asking government, industry, and unions

<sup>47</sup> Brittan, *Treasury*, p. 216.

<sup>48</sup> MRC MS 200/F/E3/1/1, Director-General's report to the Grand Council, no. 18, June 1960.

<sup>49</sup> Brittan, *Treasury*, pp. 215-18, and FBI, *Next five years*, offer the fullest accounts of the conference. See also Grant, 'Government', p. 110, and Boswell and Peters, *Capitalism*, p. 29.

<sup>50</sup> MRC, MSS 200/F/3/E3/3/21, E.191.61, 'Draft report on proposals for long-term economic planning', no date.

<sup>51</sup> MRC, MSS 200/F/3/E3/3/21, E.140.B.61, 'Policy for economic growth: draft summary', no date.

<sup>52</sup> *Ibid.*, E/140C/61, 'Note on planning', by Weeks, no date; MRC, MSS 200/F/1/1/218, Committee on economic programmes and targets meeting, 10 May 1961.

<sup>53</sup> MRC, MSS 200/F/3/E3/3/21, E.140.B.61, 'Policy for economic growth: draft summary', no date.

<sup>54</sup> *Ibid.*

<sup>55</sup> *Ibid.*, E/140C/61, 'Note on planning', by Weeks, no date.

for information.<sup>56</sup> There were, however, more detailed ideas about the bureau's programme of work, which was seen as possibly including the discussion of theories of growth and the production of a series of five-year projections and perhaps also longer-term projections looking 10 or 15 years ahead.<sup>57</sup>

At this stage, therefore, after months of discussion, the FBI's proposals represented only a mild reform, where the government would be made to commit itself publicly to an agenda giving growth a higher profile but where the implementation of plans would be left to individual institutions. Although the FBI had started to formulate a policy on planning for growth comparatively early, its approach could hardly be described as either urgent or forceful. The FBI planned to present these proposals to the tripartite interim committee of the National Production Advisory Committee for Industry (NPACI) on 17 July 1961. Even then, only an oral presentation would be made, the plan for the bureau would be presented as only an illustration of one possible approach, and the subject would be dropped if the proposals had a cool reception.<sup>58</sup> It was expected that the proposals would be met with resentment and the FBI was not sure whether the TUC would even contemplate cooperating with industry in the promotion of growth.

The FBI was overtaken by events in July 1961: the meeting of the interim committee was postponed until after the announcement on the economic situation by the Chancellor of the Exchequer on 25 July.<sup>59</sup> It was in that statement that Selwyn Lloyd first made public reference to the idea of what became the NEDC.<sup>60</sup> The Chancellor's proposal put the FBI under pressure to work out in detail its own concept and also to agree with the other employers' organizations—the British Employers' Confederation (BEC), the Association of British Chambers of Commerce (ABCC), and the National Union of Manufacturers (NUM)—on a common position.<sup>61</sup> Employers now gave a much more prominent position to the notion of 'institutional impediments to growth' as a field of study of the new body, although these impediments remained unspecified.<sup>62</sup> This, rather than any thought of a wages policy, continued to form the basis of a common platform among employers.

However, it was the machinery required which chiefly occupied the FBI from July 1961. One point of disagreement between the Chancellor's proposals and those of the employers was the setting up of industrial commissions along the lines of counterparts in the French planning system which operated in close association with the *Commissariat du*

<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

<sup>58</sup> MRC, MSS 200/F/1/1/218, Committee on economic programmes and targets meeting, 13 June 1961.

<sup>59</sup> MRC, MSS 292B/557.1(1), TUC Production committee meeting, 20 July 1961.

<sup>60</sup> *Hansard* (Commons), 5th ser., 645, 25 July 1961, cols. 220-1.

<sup>61</sup> MRC, MSS 200/F/3/S2/2/12, FBI Grand Council meeting, 13 Sept. 1961.

<sup>62</sup> MRC, MSS 200/F/3/S2/33/1, E.221.61, 'Long-term economic planning: exchange of views', 9 Oct. 1961.



*Plan*.<sup>63</sup> A bigger dispute centred on the position of the office. Employers' organizations met Lloyd on 23 August to discuss this and they were presented with two alternative proposals for the new planning machinery. One was almost identical to the FBI's own suggestions.<sup>64</sup> Yet it soon became clear that the role and the rights of the office had to be negotiated in more detail. The FBI had in mind a fairly strong office which would 'inaugurate projects without waiting for matters to be referred to it and that it should take up studies with the collaboration of trade associations and others and then report to the upper tier body'.<sup>65</sup> There was general agreement among the employers' organizations that the office as proposed by the Chancellor would lack the independence it needed 'to do work of a truly new and vital character', and that it would 'be too much under the influence and control of the government'.<sup>66</sup> This dependence on the goodwill of government departments to supply information would limit not only the work of the office but that of the council as well and was therefore unacceptable to industry. Instead, the employers' organizations proposed that the council should clearly be a representative body, which would enable its recommendations to be successfully carried back to organized management and labour; that its membership should include the President of the Board of Trade and the Minister of Labour, as well as the Chancellor of the Exchequer who would take the chair; and that the council would have the right to initiate work done by the staff of NEDO but should not be the sole body to have such initiative.

The director of NEDO was also to be given the right to initiate work of the office and to put reports, proposals, or recommendations independently to the council. He was to be a man of 'the highest standing and repute', who would not be identified with the interests of any of the three parties represented on the council.<sup>67</sup> NEDO staff, who were to have allegiance solely to the director and the council, were to have direct access to the boards of nationalized industries, and an organized association formed from the various private industries and the office was to be set up.<sup>68</sup> It was proposed that the appointment of NEDO's staff be regulated either by the office's own governing body or by a sub-committee of the council, further to strengthen the independence of the office.

To sum up the employers' position, therefore, it is important to note first that they did become concerned about economic growth at an early date. However, prior to Selwyn Lloyd's July 1961 announcement, the FBI's discussions of the topic adopted a leisurely timescale, its proposals were not radical, and its commitment to pressing the need for reform remained highly qualified. This position changed markedly after July and the FBI seized the opportunity offered by that speech to formalize the

<sup>63</sup> Ibid., E.217.61, 'Note for discussion', no date. See Weeks, 'Planned economy'.

<sup>64</sup> MRC, MSS 200/F/3/S2/2/12, FBI Grand Council meeting, 13 Sept. 1961.

<sup>65</sup> Ibid.

<sup>66</sup> MRC, MSS 200/F/3/S2/33/1, E.221.61, 'Long-term economic planning: exchange of views', 9 Oct. 1961.

<sup>67</sup> Ibid.

<sup>68</sup> Ibid.

employers' position and to press it upon the government. In terms of policy goals, growth was to be given a higher priority but not to the exclusion of other factors, notably the balance of payments, and the use of NEDC for an incomes policy only became an issue once the NEDC was established. The most important way to achieve improved performance was by the reform of the institutions of government economic policy making. To this end, the council itself was a useful tool but not the main priority. The FBI's chief concerns, like those of many others at the time, revolved around ensuring the independence and strength of the office as a counter to Treasury advice.<sup>69</sup>

## II

In contrast to the FBI, the TUC's role in the creation of the NEDC is usually presented as reactive, with the issue of membership being central. It was not until January 1962 that the TUC finally made the decision to join. Wage policy was central to the TUC's position on the NEDC following the introduction of the pay pause in July 1961. In the following months the TUC grappled with the problem of whether to accept membership. As TUC representatives told Selwyn Lloyd in August, government interference in industrial relations made TUC participation unlikely.<sup>70</sup> Further meetings with the Chancellor eventually led the General Council to accept membership. However, the decision was disputed, was conditional, and remained controversial within the TUC, not simply because of the wages issue but also because of fears of tying trade unions too closely to the Conservative government.<sup>71</sup>

This, however, is only a partial account of the TUC's position with regard to the creation of the NEDC. In fact the TUC had addressed the government during 1960 and the first half of 1961 with the request to adopt a more planned approach to the economic problem of slow growth and low productivity. In July 1960 the Economic Committee of the TUC concluded that the government had to take action over problems in the economy. The role of the TUC was 'to point out the general nature of the measures required and the areas in which action is most urgent'.<sup>72</sup> Proposed government action consisted of setting up export promotion councils, taking stronger action to protect the balance of payments, controlling and directing investment into growth industries, and formulating priorities and giving incentives to certain key industries. Wages policy and the question of working conditions were to remain regulated through the normal voluntary negotiating machinery.

<sup>69</sup> Shanks, 'What future?', p. 348; *idem*, *Planning*, p. 20; Bailey, *Managing*, p. 14; Brittan, *Treasury*, p. 329; Shonfield, *Modern capitalism*, p. 172.

<sup>70</sup> MRC, MSS 292B/567.2, GC 15/2, Report of meeting between Selwyn Lloyd and the TUC Economic Committee, 22 Aug. 1961.

<sup>71</sup> *Ibid.*, TUC Economic Committee meeting, 8 Nov. 1961, and resumed meeting, 17 Jan. 1962, and 'Government economic policy', George Woodcock to the general secretaries of all affiliated organizations, enclosed statement, 6 Feb. 1962.

<sup>72</sup> MRC, MSS 292/560.1/18, Economic committee meeting, 5 July 1960.

The TUC channelled its approaches to government on the question of planning for more growth through existing tripartite bodies, namely the Economic Planning Board (EPB) and the NPACI. Indeed, it was at the request of the TUC, not of the FBI, that the NPACI discussed the notions of planning and growth in February 1961.<sup>73</sup> In March the TUC representative announced to the EPB that the TUC was considering the problem of economic growth and asked whether the board would like a paper on the subject.<sup>74</sup> The TUC paper never reached the EPB and was discussed by the economic committee of the TUC itself only in September 1961.<sup>75</sup> The consideration of growth by the TUC was, like that by the FBI, superseded by the government's July measures.

Nevertheless, the TUC continued to consider the potential offered by the proposed new body. Trade union representatives explained to Lloyd that they saw the council as a negotiating body for bargaining between industry and labour on industrial questions, although they failed to elaborate on what this entailed.<sup>76</sup> Arguments to join the council stressed the seriousness of the economic situation and the possibility of unions influencing government policy. The General Council's conception of the composition and operation of the planning council saw it as a small and representative body with no independent membership, and with no limitations as to what questions it should discuss.<sup>77</sup>

The TUC position, therefore, had both similarities and marked contrasts with that of employers. Like the FBI, the TUC became concerned with the issue of growth, in particular notions of planning for growth during 1960. In addition, despite this concern the progress of proposals for reform remained slow and was overtaken by Lloyd's July measures. However, there is a clear difference between the FBI and the TUC over the nature and extent of institutional reform desired. The TUC focused its attention exclusively on the council as a means of getting the ear of ministers and as a site for tripartite bargaining, hence no independent members were wanted. The TUC wanted a voice in what government was doing but did not wish to take responsibility for the government's actions.<sup>78</sup> There was no interest in the machinery of planning, in particular the position and powers of the office, and no attempt by the TUC to negotiate what exactly should be on the agenda of council discussion, apart from the exclusion of wage restraint.<sup>79</sup>

<sup>73</sup> PRO, T311/6, NPACI (IC) 47th meeting, 20 Feb. 1961.

<sup>74</sup> PRO, CAB134/1817, EPB (61) 5th meeting, 20 Mar. 1961.

<sup>75</sup> MRC, MSS 292B/567.2, 'Informal talk to press given by Mr. Birch', 27 Sept. 1961.

<sup>76</sup> PRO, T230/681, 'Planning', 26 Oct. 1961.

<sup>77</sup> MRC, MSS 292B/567.2, TUC Economic Committee meeting, 8 Nov. 1961, and 'Government economic policy', Woodcock to the general secretaries of all affiliated organizations, enclosed statement, 6 Feb. 1962.

<sup>78</sup> Goodman, *Awkward warrior*, p. 293.

<sup>79</sup> PRO, T298/256, Peter Vinter to Otto Clarke, 'Economic planning', 6 Oct. 1961.

## III

The Conservative Party became overtly interested in the issue of growth early in 1961. R. A. Butler, the party chairman, proposed establishing a party committee to consider 'the central economic problem of the day'.<sup>80</sup> The resulting committee's report did recommend tripartite discussion to improve growth performance but once more there seems to have been little urgency since the committee did not meet until July and its report did not emerge until May 1962.<sup>81</sup> Cabinet itself did not discuss the setting up of an economic planning body before Selwyn Lloyd's July measures were announced. As such they were presented as a *fait accompli*. What remain unclear are the respective roles of Selwyn Lloyd and Harold Macmillan in bringing forward the proposal for the NEDC.<sup>82</sup> In fact, it would appear that neither was directly responsible; that role was played by Freddie Bishop, deputy secretary of the Cabinet, and previously Macmillan's principal private secretary. Bishop was not a typical civil servant. Although a friend of Sir Frank Lee, who was permanent secretary to the Treasury between 1960 and 1962, Bishop disliked the Treasury and formed an integral part of Harold Macmillan's inner circle of advisers.<sup>83</sup> He suggested the need for a longer-term approach to economic problems to Macmillan in November 1960 in response to a Treasury paper presented to Cabinet earlier that month.<sup>84</sup> He concluded that the economic position of the UK was fundamentally unsound since it did not seem to be possible to avoid inflation and maintain full employment at the same time. The key to a solution of the problem was wage restraint. Bishop suggested that a more planned approach to the national economic problem might be necessary: if problems could not be solved by purely economic pressures except at the risk of social convulsion, then the alternative was to seek a partnership with employers and unions based on a common assessment of the country's economic and financial situation. In this context, government policy would have to change in so far as this would entail 'government exhortation, leadership, and even interference in industry'.<sup>85</sup>

In July 1961, prior to Lloyd's statement, Bishop returned to this theme. He suggested that a constructive forward policy should be initiated with the measures of restraint. Bishop proposed that Lloyd should announce the government's intention to establish a 'National Economic Advisory Council', replacing the Council on Prices, Productivity, and Incomes and the Economic Planning Board, and composed of representatives from

<sup>80</sup> PRO, T311/3, R.A. Butler to Selwyn Lloyd, 2 Jan. 1961.

<sup>81</sup> Ibid., 'Report of the policy committee on economic growth', May 1962.

<sup>82</sup> Those emphasizing Lloyd include Blank, *Industry*, p. 176; Brittan, *Treasury*, p. 211; Taylor, *Trade union question*, p. 113; Thorpe, *Selwyn Lloyd*, p. 327. Those highlighting Macmillan's role include Shonfield, *Modern capitalism*, p. 102; Polanyi, *Planning*, p. 20n. For their own accounts see Lloyd, 'Neddy', and Macmillan, *At the end*.

<sup>83</sup> Aldous, '“Family affair”', pp. 14-15. See also Ringe, 'National Economic Development Council'; *idem*, 'Background'.

<sup>84</sup> PRO, PREM11/4209, Bishop to Macmillan, 25 Nov. 1960. This note coincided with the FBI's Brighton conference.

<sup>85</sup> Ibid.

both sides of industry, from nationalized industries and local and central government, and with some independent economic experts. The council would 'advise the government and the country on the development of the national investment resources, production targets for the main industries, restraint in profits and earnings, encouragement of productivity, and the expansion of exports—and no doubt other matters'.<sup>86</sup> Macmillan wrote to Lloyd in support of these proposals, which were incorporated into Lloyd's statement without further elaboration.<sup>87</sup>

Ministers did not discuss the proposal until September 1961, and then were split over it.<sup>88</sup> Particularly critical were Peter Thorneycroft, Reginald Maudling, and, to a lesser extent, Lord Mills and Charles Hill.<sup>89</sup> Lloyd opened the meeting by explaining that he himself was against the form of the planning body he was about to propose. The need to compromise with the employers necessitated proposing an office outside the government machinery run by a director who would be under the general direction of the council with the duty of producing economic plans.<sup>90</sup> His colleagues tried to water down these proposals, particularly with regard to the independent office and the task of economic planning. The new 'consultative body' was to have no executive powers and it should also be made clear that there was no intention of introducing new controls. Its economic forecasting activities were to be kept on a level that did not interfere with government policy. To defuse the proposed independence of the office, it was to be kept small in size and the term 'director of the office' was to be avoided altogether, because it implied a large organization.<sup>91</sup> Further discussion failed to resolve the rift between ministers. While Macmillan supported the idea of an office with a high-grade planning staff and a considerable measure of independence and authority, Maudling argued against the independence of the office and its right to publish anything without prior government approval.<sup>92</sup> The compromise agreed left open the question as to whether the council or the government would direct the work of the office.<sup>93</sup>

With regard to policy, the planning exercise was hardly discussed. The main concern of ministers was how the pay pause announced in July could be replaced first by interim measures of restraint and then by a long-term incomes policy. This was seen to hinge on TUC acceptance of wage restraint, which was to be achieved through the solicitation of

<sup>86</sup> PRO, PREM11/3841, Bishop to Macmillan, 'Council on prices, productivity and incomes', 12 July 1961.

<sup>87</sup> Ibid., Macmillan to Selwyn Lloyd, 15 July 1961.

<sup>88</sup> PRO, CAB134/1689, Economic Policy Committee meeting, 7 Sept. 1961. See also Brittan, *Steering*, p. 152.

<sup>89</sup> PRO, PREM11/4207, Selwyn Lloyd to Macmillan, 8 Sept. 1961. Thorneycroft had been Chancellor of the Exchequer before resigning in January 1958. He was now Minister of Aviation. Maudling was President of the Board of Trade, Mills was Paymaster General, and Hill was Chancellor of the Duchy of Lancaster.

<sup>90</sup> PRO, CAB134/1689, Economic Policy Committee meeting, 7 Sept. 1961.

<sup>91</sup> Ibid.

<sup>92</sup> PRO, CAB129/105, C(61)136, Macmillan, 'Economic planning', 16 Sept. 1961; CAB 129/106, C(61)138, Maudling, 'Economic planning', 20 Sept. 1961.

<sup>93</sup> PRO, CAB128/35, CC(61)51st, 21 Sept. 1961.



the NEDC.<sup>94</sup> However, this scheme lost its momentum because it was known that the TUC would not join the NEDC if incomes policy was on the agenda. Nevertheless, the idea of using the NEDC as a vehicle for long-term wage restraint remained central to ministerial thinking, although it was accepted that this would be a slow process.<sup>95</sup>

Conservative ministers tended to see the NEDC as a way of bringing about long-term wage restraint. Macmillan, who, following Bishop's initiative, seems to have been more important than Lloyd in instigating the new organization, did view the task of the new planning body as improving growth performance and he did argue the case for a strong independent office. However, other ministers refused to countenance powers being devolved from the government to the council and office. Ministers did not, therefore, offer a clear lead on the purpose of the NEDC and were certainly not unanimously committed to it. They felt the need to appease business but were far more interested in achieving wage restraint than in improving growth performance directly.

#### IV

As noted above, the Treasury was often cast as the chief obstacle to improved growth performance at this time. However, this is misleading. With the exception of the Economic Section, the small group of economists under Robert Hall, Treasury officials were hostile to the idea that the office should be a body independent of government and engage in long-term economic forecasting.<sup>96</sup> The Treasury planned that the body below the council would be a small group, resembling a reshaped Economic Planning Board, with representatives of both sides of private and public industry, under the joint permanent secretary to the Treasury. This body, working with papers drafted by the Treasury, would thrash out problems in detail, with a secretariat of its own, and report to the representative upper council.<sup>97</sup> The council would then make recommendations to the three parties, enabling the Treasury 'to get . . . issues planted on the tripartite plate'.<sup>98</sup> In other words, the council could be used by the Treasury to direct tripartite discussion of economic policies in the desired direction.

Consequently, there was no need for the office to engage in independent research and forecasting activities which were hitherto reserved to the Treasury. Despite instructions to the contrary, Treasury officials continued to plan for an office dependent on Whitehall and obstructed the

<sup>94</sup> PRO, CAB134/1689, EA(61)30th, Economic Policy Committee meeting, 29 Nov. 1961.

<sup>95</sup> PRO, CAB129/112, C(63)31, Maudling, 'National Economic Development Council: training and redundancy', 26 Feb. 1963.

<sup>96</sup> Clarke, *Public expenditure*, pp. 73-5; PRO, T298/257, Hopkin, Economic Section, to A. K. Cairncross, 'Planning', 11 Sept. 1961.

<sup>97</sup> PRO, T298/257, Clarke to Sir Thomas Padmore, 'Co-ordination of economic resources', 19 July 1961.

<sup>98</sup> *Ibid.*, Clarke to Padmore, 'Planning', 11 Aug. 1961.

work of the office.<sup>99</sup> They feared that government authority—and presumably their own—would be undermined if the office dealt with politically sensitive matters, such as data about unemployment, the balance of payments, or the future course of wages and prices. To avoid this, the office was to be instructed to look to the appropriate departments for material and be prepared to take what it was given. Even when dealing with individual industries, the office should channel its approach through the responsible government department. This reliance on government sources would in turn affect the numbers of staff required by the office. Altogether, a total staff of 12 to 15 was considered enough to serve the council, markedly fewer than the 60 in employment by July 1962 and in stark contrast to the staff of 150 envisaged by the FBI.<sup>100</sup> In addition, the director of the office was to be experienced in working within Whitehall and ready to work in close cooperation with the Treasury, with a civil servant ‘of suitable background and outlook’ as his deputy.<sup>101</sup>

This did not, however, mean that the Treasury was dismissive of growth as a policy issue. Treasury officials were involved in the discussions on growth with representatives of business and labour at the NPACI and the EPB from early 1961.<sup>102</sup> Within the National Economy Group it was concluded that recent developments made it ‘clearly necessary for the government to develop a policy—or at least an attitude—on economic growth’.<sup>103</sup> Their interest was not directly in growth itself but in improving competitiveness and efficiency, in part as a way of improving export performance and hence easing the balance of payments problem.<sup>104</sup> Centring attention on the idea of growth exploited the current climate of opinion and offered a means of discussing potentially awkward topics at existing tripartite bodies.<sup>105</sup> This was important because officials believed that in general many of these obstacles were beyond the government’s control and it was planned to seek a way into negotiations with industry and labour to find solutions in these areas.<sup>106</sup> As Otto Clarke, one of the leading forces in Treasury thinking, later put it in a paper on ‘Modernising Britain’:

Throughout the territory of industrial development NEDC is of great importance. . . . The question of industrial modernisation is surely the heart of NEDC, and surely NEDC would have to be the government’s main instrument and contact with private industry in this matter (or go out of business altogether). We have always thought that this was a very useful

<sup>99</sup> PRO, FG3/19, Donald MacDougall, ‘Papers and information from the Treasury’, 8 Mar. 1962; D. P. Brearly to F. Pickford, 7 Sept. 1962; MacDougall, *Don*, p. 138.

<sup>100</sup> PRO, T230/681, unsigned but probably Burke Trend to Clarke, ‘Planning staff’, 1 Sept. 1961.

<sup>101</sup> Ibid., W. W. Morton to Trend, ‘Planning staff’, 4 Sept. 1961.

<sup>102</sup> PRO, T311/6, Peter Vinter to Clarke, ‘Economic planning board’, 9 Mar. 1961.

<sup>103</sup> Ibid., ‘Economic growth’, 13 Mar. 1961. The National Economy Group was one of three on the economic and financial side of the Treasury established as part of its reorganization in 1962 and worked on the coordination of economic policy.

<sup>104</sup> Ibid., ‘Economic growth: report by a working party of officials’, undated.

<sup>105</sup> Ibid., ‘Economic Planning Board meeting, 9 Mar. 1961, and ‘Economic growth: report by a working party of officials’.

<sup>106</sup> PRO, T298/257, Clarke to Padmore, ‘Planning’, 11 Aug. 1961.

potential function for NEDC—indeed the territory for which it is uniquely fitted.<sup>107</sup>

Significantly, the Treasury's purpose was not to engage only capital and labour in the discussion of improved growth performance. Treasury officials perceived a need for missionary work in Whitehall to convince other departments of the hard choices and policies entailed in embarking on a policy for growth. For this purpose, an interdepartmental working party was set up. Its report recommended tackling obstacles to efficiency and growth first, and suggested that planning should not be regarded as a substitute for doing this. Since the recommended approach would involve difficult battles with vested interests it was important to take comprehensive action on a wide front to ensure that no particular group felt unfairly picked upon.<sup>108</sup>

A revised version of the report, 'Economic growth and national efficiency', was presented to the Cabinet in July 1961, prior to Selwyn Lloyd's statement.<sup>109</sup> The problem of slow economic growth was presented as an umbrella for a whole list of issues: misdirection of investment, training of labour, wage inflation, aid to industry, restrictive practices in business, retailing and labour, tariff protection, the burden of taxation, and the fact that social services and other expenditure did not take 'national efficiency' considerations into account. Public interest in growth now provided a catalyst to initiate action in these areas.<sup>110</sup> The report was intended to focus ministers' attention on the sacrifices necessary to increase output per worker and to highlight the obstacles which needed to be removed in order to make possible the effective operation of a market economy.<sup>111</sup>

Ministerial discussion of this paper was pre-empted by Selwyn Lloyd's statement in that same month. To Treasury dismay, this key report had 'run into the sand'.<sup>112</sup> Tripartite discussion had been part of the Treasury's strategy from the start but it now became even more important. It was decided to present the report to the NEDC and to let the council recommend action to the three participating parties.<sup>113</sup> For this purpose the Treasury's Working Party on Economic Growth compiled a new report, 'National efficiency and obstacles to economic growth', on lines similar to earlier versions, but excluding the wage issue for the moment because of TUC sensitivities.<sup>114</sup>

A key aspect of this approach, in Treasury eyes, was not only the possibility of drawing industry and labour into acting upon NEDC

<sup>107</sup> PRO, EW27/15, Clarke to William Armstrong and others, 'Modernising Britain', 28 Nov. 1962.

<sup>108</sup> PRO, T311/6, 'Economic growth: report by a working party of officials', and 13 March 1961, Economic Planning.

<sup>109</sup> PRO, CAB129/105, C(61)94, 'Economic growth and national efficiency', 10 July 1961.

<sup>110</sup> *Ibid.*

<sup>111</sup> *Ibid.*

<sup>112</sup> PRO, T298/258, Clarke to Padmore, 4 Dec. 1961.

<sup>113</sup> *Ibid.*

<sup>114</sup> PRO, T298/335, Working party on economic growth, 'Paper for the NEDC on national efficiency and obstacles to growth', 17 April 1962.

recommendations based on this report but also the chance to influence government policy via the NEDC. To achieve this second goal it was decided that the paper for the NEDC had to be 'shadowed' by a White Paper, 'A policy of economic growth', which would explain government policy to achieve 'sound' economic growth and how to set about this.<sup>115</sup> The work on the White Paper was designed to bring more thought on growth to bear on Whitehall and spread the growth idea to other departments. This was particularly true of the Board of Trade and the Ministry of Labour as it was felt that these departments needed to adopt more active roles in the fields of competition policy, encouragement to export, and incomes policy.

The Treasury's strategy of using the NEDC in this way failed miserably, however. When the report was discussed at an early meeting of the NEDC it was derided by members keen to assert the independence of the council from Treasury influence. One industrial member referred to the report as 'Treasury trash' and the Treasury representative felt obliged to disown it, stating afterwards that he had 'never had so many dead cats thrown at him at once'.<sup>116</sup> Adding insult to injury, Treasury officials believed that NEDO's own report, *Conditions favourable to faster growth*, published a year later, added little of substance to the Treasury report.<sup>117</sup>

Summing up the Treasury's position, it is possible to make four points. First, the Treasury does appear to have been attracted to the idea of higher growth at an early date. Indeed, it regarded itself as a proselytizer within Whitehall. Secondly, it was nevertheless the case that the Treasury's drive for growth and increased efficiency in the economy remained firmly embedded in the context of the need to safeguard the balance of payments. Thirdly, it saw little need for new institutions to introduce this policy, particularly in the form of the office which might duplicate and compromise Treasury work. Finally, however, it did perceive the need to discuss growth and efficiency issues with industry and labour, largely because the Treasury believed that many of the economy's problems lay within those sectors and could not be resolved solely by government policy. Once Selwyn Lloyd had announced his proposal for a planning body, this council was seen as a way of getting not only industry and labour, but also ministers and officials in other Whitehall departments, to face up to the difficult decisions required to achieve higher growth. The success of this strategy hinged on the Treasury's ability to capture the council through its report on 'National efficiency and obstacles to economic growth'. This it failed to do.

## V

This account has made it possible to determine the positions of the four main players—the FBI, the TUC, Conservative ministers, and the

<sup>115</sup> PRO, T298/334, A. K. Rawlinson to Vinter, 7 Mar. 1962.

<sup>116</sup> Brittan, *Treasury*, p. 240; Middlemas, *Industry*, p. 25; MacDougall, *Don*, p. 144.

<sup>117</sup> Brittan, *Treasury*, pp. 240-1. See also Clarke, *Public expenditure*, pp. 73-5.

Treasury—who were involved in the process that led to the creation of the NEDC. From this it is clear that there was wide interest in growth as an issue prior to the council's establishment. Equally, each group expected to varying degrees to get something out of the creation of the council and the office. However, it is diversity of opinion rather than consensus that better describes the explanations for Britain's perceived relative decline and the solutions proposed. Each body had different goals and different agendas based on their respective visions of the postwar period. There was no one lesson and no single policy for growth which was predominant and from which the NEDC emanated.<sup>118</sup>

What conclusions can be drawn from this? First, there is little evidence that the NEDC represented a missed opportunity to establish a more corporatist state in Britain on the lines of Eichengreen's model. None of those involved had such a positive and radical vision. Rather, it confirms the desire of these bodies to continue broadly with the status quo.<sup>119</sup> The FBI's support for industrial commissions is perhaps the only significant exception to this. However, there is also a need to be careful in talking about the maintenance of a corporatist postwar settlement of the type discussed by Middlemas. The NEDC appealed to the TUC precisely because it would provide a means of contact with ministers at a time when trade unionists felt excluded from policy making. Nevertheless, the TUC did not envisage that such contact would involve any responsibility for policy. On the government side, tripartite discussions were seen as a useful way of disseminating information, but neither ministers nor Treasury officials were willing to devolve power to the new institutions.

Secondly, could the government have taken a stronger lead? Both contemporary critics and those involved in the current debate on the impact of Britain's postwar settlement have suggested that government should have done more to alleviate Britain's economic problems: what they did was 'too little, too late'.<sup>120</sup> Could government have done more? The position of the Treasury is illustrative here. It is clear that Treasury officials were interested in improving Britain's rate of growth and level of efficiency. There was a clear supply-side dimension to their thinking even if they were unconvinced that an active industrial policy was the solution. The Treasury was not committed solely to short-term macro-economic Keynesianism, as has been argued, for example, by Hall and Pollard.<sup>121</sup>

Related to this, there was a considerable degree of similarity between the Treasury's diagnosis of the causes of the growth problem and that set out by Broadberry and Crafts. These authors argue, for example, that the government should have acted to increase competitive pressures by a reduction in tariffs, a more active competition policy, and industrial relations reform. These were all elements of the Treasury diagnosis. The

<sup>118</sup> Hall, 'Policy paradigms', pp. 275-7; Sacks, 'State structure'.

<sup>119</sup> Crouch, *Industrial relations*.

<sup>120</sup> Tomlinson, 'Conservative modernisation'.

<sup>121</sup> Hall, 'Policy paradigms'; *idem*, 'Movement from Keynesianism'; Pollard, *Wasting*.



presumption of Broadberry and Crafts, however, is that government not only should, but could, have done so. This ignores the policy process which, it is argued, explains the different solution adopted by the Treasury. The Treasury could not simply impose its solution on Whitehall and the rest of the economy, however much it wished to and however persistently it tried. The Treasury's willingness to countenance support for an NEDC was therefore a way, smacking perhaps of desperation and frustration, of getting Whitehall, as well as capital and labour, to discuss its report on growth and efficiency. If this was the type of strategy that the Treasury felt necessary to adopt, the common image of an all-powerful Treasury in Whitehall seems misleading.<sup>122</sup> It clearly was powerful, but seems frequently to have been unable to achieve its goals in this period.<sup>123</sup>

This inability might be explained in terms of a Treasury failure to convince ministers or a lack of political will on the part of ministers. Ministers do seem to have wanted to achieve wage restraint without fundamental reform and to have seen the NEDC as a means of appeasing industry. This could be seen to fit the Broadberry and Crafts view of rational politicians avoiding confrontation and focusing on short-term policy aims for opportunistic vote-seeking purposes.<sup>124</sup> However, even within a rational choice approach, such an argument seems limited.<sup>125</sup> In addition, in this particular case, while ministers were ambivalent about the creation of the NEDC, to the extent that they saw it having a purpose, it was to achieve long-term, not short-term, wage restraint.

A more helpful approach is to adopt the new models of policy making set out in the introduction to this article and, in particular, to acknowledge the interdependent nature of policy making. The Treasury had to persuade both those in Whitehall and those outside not only that its diagnosis was appropriate but also that these groups should act upon it. Within Whitehall, the postwar growth of government brought with it fragmentation as departmental autonomy increased. As a result, the Treasury could achieve little if it did not carry the Board of Trade and the Ministry of Labour with it, since these were the two key departments for implementing a growth policy. Even if it had managed to persuade Whitehall of the validity of its approach, however, it was still necessary to do the same with regard to industry and labour. Thus a co-operative approach had to be followed. This was not because Treasury officials wished to avoid confrontation with capital and labour. Rather, it was because they believed that many of the obstacles to improved growth performance were simply beyond government control.

These arguments about interdependence and the contingent nature of policy making are particularly valid in the British case. At the micro and meso levels a wide variety of relationships have been forged between government and industry.<sup>126</sup> At the macro level this makes valid generaliz-

<sup>122</sup> Pollard, *Wasting*, and Hall, *Governing*, are two influential examples. See also Chapman, *Treasury*.

<sup>123</sup> Lowe, 'Resignation'; *idem*, 'Milestone?'.  
<sup>124</sup> Broadberry and Crafts, 'British economic policy', p. 73.

<sup>125</sup> See Alesina, 'Elections'; Alesina and Roubini, 'Political cycles'; Goodin, 'Rational politicians'; Dunleavy, *Democracy*; Laver and Shepsle, eds., *Cabinet ministers*.

ation difficult. However, what can be said is that this diversity was, in large part, the result of the piecemeal and ad hoc growth of contact between government and the rest of society: there has been no commonality because there was no driving force from the centre. While government has grown since the nineteenth century there remained a widely held preference for a 'centreless society'.<sup>127</sup> Government action was constrained by an appreciation of the traditional means by which continuity and order were maintained. While government could be strong and interventionist, as shown during the First and Second World Wars, there was always a need to maintain the appearance of class neutrality.<sup>128</sup> Thus central government had to operate within this existing system of governance in order to maintain its legitimacy. Governments could not disengage themselves from the existing system to mould new, more appropriate, arrangements at will. As a part of that system they were constrained by its *modus operandi*.<sup>129</sup>

The nature of tripartite discussions in the NEDC and its various predecessors such as the Economic Advisory Council (EAC) in the 1930s and the Economic Planning Board in the 1940s reflected these institutional arrangements.<sup>130</sup> The constituent membership of these bodies did vary—some were purely representative, others, like the NEDC, had a small number of independent members, and yet others, such as the EAC, included a significant body of individual experts. Nevertheless, they all achieved less than was originally expected and those that lasted became little more than talking shops.<sup>131</sup> This was still a useful function—the NEDC lasted until 1992 despite the Thatcher governments' dislike of the body—and as such they should not be dismissed as failures. Each, it was hoped, would be an agency of change. Instead they simply reflected the underlying institutional structure and continuity. This was not the fault of governments but an illustration of the difficulty of bringing about a fundamental reform of existing institutional arrangements.

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<sup>126</sup> Wilks, 'Government-industry relations'.

<sup>127</sup> Lowe and Rollings, 'Modernising Britain'.

<sup>128</sup> Daunton, 'Payment'.

<sup>129</sup> For a similar point see Hollingsworth and Streeck, 'Countries and sectors', p. 279.

<sup>130</sup> On the EAC see Howson and Winch, *Economic Advisory Council*.

<sup>131</sup> Daalder, *Cabinet reform*, p. 238.

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